

Absa Euro Income Fund

31 July 2014

Fund facts

Industry category	Global - Interest Bearing - Short Term Bonds
Performance target	Euro 90 Day Deposit Rate
Inception date	20 November 2006
Fund size	R 297,6 million
JSE code	ABEI
Fund manager	Greg Kettles - B Com (Hons), CA(SA), CFA
Asset management company	Absa Asset Management (Pty) Ltd

Fund details

Minimum lump sum investment	R 2 000
Minimum monthly debit order	R 200
Income declaration	31 March, 30 June, 30 September & 31 December
Income distribution	15 April, 15 July, 15 October & 15 January

Performance: total return(%)

Term	Absa Euro Income Fund A	Absa Euro Income Fund B	Benchmark	ZAR/EURO
1 year	8.80	7.81	9.47	9.35
3 years	13.79	12.80	15.20	14.79
5 years	5.19	4.03	5.82	5.26

Note: the sector average and rank only applies for the A Class

*Figures are annualised

Source: Morningstar

Income distributions

Distribution for the 3 months ended 30 Sept 2013	1.86 c.p.u
Distribution for the 3 months ended 31 Dec 2013	1.88 c.p.u
Distribution for the 3 months ended 31 Mar 2014	1.47 c.p.u
Distribution for the 3 months ended 30 June 2014	0.59 c.p.u

Fund objectives

This rand denominated offshore fund aims to offer investors a consistent foreign income as well as protection against a depreciating rand. Securities to be included in the fund will mainly consist of Euro denominated interest bearing securities. Both capital and interest will be exposed to currency fluctuations.

Risk profile and advisable minimum term

Low	Low-Medium	Medium	Medium-High	High
	X			
3 Months +	6 Months +	2 Years +	3 Years +	Varies*
				X

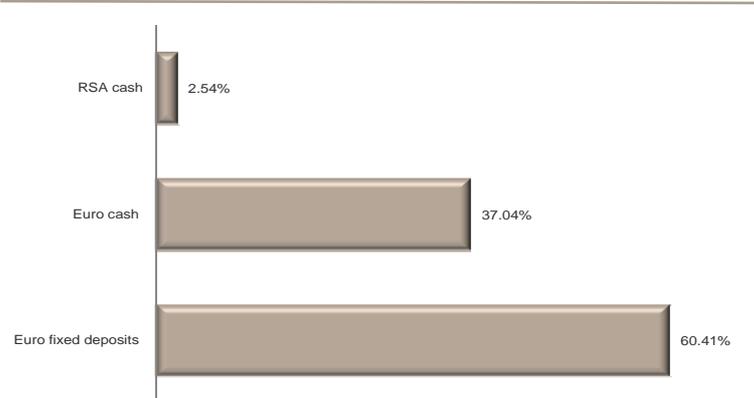
*Used for short to long term currency hedge.

Fees and total expense ratio (VAT incl.)

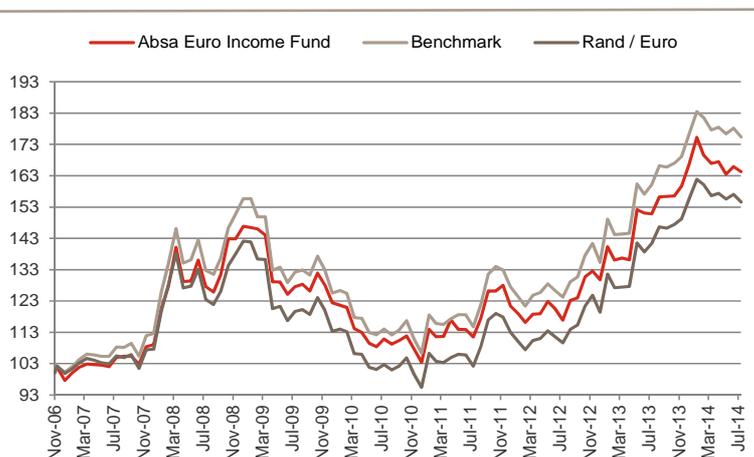
	Class A	Class B
Initial fees:		
Absa Fund Managers:	0%	0%
Adviser:	1.14%	0%
Annual management fee:		
Adviser:	0.86%	2.11%
	1.14%	*N/A
Total expense ratio:	0.87%	2.12%

*Adviser on-going fee is included in the annual management fee and it varies according to the platform through which the investment is done

Asset allocation



Cumulative performance since inception*



*Index performance of Fund & Benchmark based to 100 at inception of fund

Note: This graph is net of fees.
Source: Morningstar

Quarterly fund commentary as at 30 June 2014

Following a pedestrian first quarter, during which it returned just 1.4% in USD terms, The MSCI World Index rose strongly during the second quarter, returning 5.1%. The synchronised economic growth in the developed countries continues, albeit at a below-par pace. The most recent estimate of Q1 GDP growth in the USA was quite a shock, coming in at -2.9%, reflecting the adverse impact of extreme weather conditions. More recent data releases have, however, been more encouraging, while the Fed's dovish stance should provide an underpin to the market. China appears to have averted a hard landing, but it remains to be seen whether the targeted growth of at least 7.5% will be achieved, or if this number will be closer to the 7.0% level. While Germany appears robust, the remainder of the euro zone is mixed, with the threat of deflation still hovering. To counter this, the ECB has introduced a number of measures in order to stimulate growth and stave off deflation. The backdrop of a deteriorating geo-political environment is cause for concern, as tensions in Ukraine, Iraq and the Gaza Strip remain. Global markets do not seem to have factored in any impact that may result from a major escalation of these tensions.

Emerging markets have weathered the storm arising from the tapering of the Fed's massive bond purchase program and, in most cases, have experienced an inflow of some of the funds that were previously withdrawn. Whether or not the recent rally in EM markets can continue is unclear, particularly given the muted outlook for resources.

Bond yields continued to decline in the second quarter, particularly in the euro zone where the spread on the debt of peripheral countries narrowed markedly. The Rand was fairly stable against the euro during the quarter, slipping marginally to R14.55/EUR at the end of June 2014 from R14.51/EUR at the end of March 2014.

Short term interest yields rose early in the quarter, before declining to close the quarter at new lows for the year.

Investments will continue to be concentrated as close to the benchmark as possible, keeping duration at the short end of the mandated range.

DISCLAIMER

The Absa Euro Income Fund is a low to medium risk fund. No initial fee is charged but investments through intermediaries could require a commission of up to 1.14% (VAT Incl.). An annual service charge of 0.86% (incl. VAT) against the assets of the fund will be calculated and accrued daily. Ongoing advice fees may be negotiated to a maximum of 1.14% (incl. VAT) per annum, charged by a way of unit reduction and paid to the Financial Adviser monthly in arrears. This annual advice fee is not part of the normal annual management fee. The Absa Euro Income Fund requires a minimum balance of R2000. Collective Investment Schemes in Securities (Unit Trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The investment return is not guaranteed and is dependent on the performance of the underlying instruments. Forward pricing is used. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Income is distributed quarterly and any income may be paid out into an account as nominated by the investor or be represented by additional units. All requests for transactions received on or before 16:00 every day will be traded at ruling prices and valued after 16:00 on that day. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. This Fund may be closed to new investments. The Fund Manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Foreign and/or local interest and dividends as well as foreign currency movements and interest distributions affecting capital may be fully taxable under current legislation. Figures quoted are from Morningstar, for the period ending 31/07/2014, using NAV-NAV prices, with income distributions reinvested and figures quoted are net of fees. This product is not for sale to USA persons. The Total Expense Ratio (TER) is expressed as an annualised percentage of the charges, levies and fees incurred by the portfolio related to its management, for the period from 1 July 2013 to 30 June 2014, against the average NAV of the portfolio over this period. A higher TER does not necessarily imply a poor return, nor does a lower TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Consult the Management Company for details. Absa Fund Managers is a member of the Association for Savings and Investment SA.

Contact details

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